

CITY OF BELLEVUE
CITY COUNCIL

Summary Minutes of Study Session

January 5, 2015
6:00 p.m.

Council Conference Room
Bellevue, Washington

PRESENT: Mayor Balducci, Deputy Mayor Wallace and Councilmembers Chelminiak, Lee, Robinson, and Stokes

ABSENT: Councilmember Robertson

1. Executive Session

The meeting was called to order at 6:05 p.m., with Mayor Balducci presiding. There was no Executive Session.

2. Study Session

(a) Draft 2015 State Legislative Agenda and Legislative Update

City Manager Brad Miyake opened discussion regarding the Draft 2015 State Legislative Agenda.

Joyce Nichols, Director of Intergovernmental Relations, reported that the City's lobbyist Mike Doubleday is winding down his full-time Olympia practice. He will work for the City during this legislative session as the lead person for transportation issues and any legislation that might surface affecting the B&O Tax.

The City's new full-time lobbyist is Briahna Taylor with Gordon Thomas Honeywell in the firm's Tacoma office. A briefing with the Council and Bellevue's legislative delegation will be scheduled early in the legislative session in Olympia.

Ms. Nichols said the City's highest priority in the 2015 State Legislative Agenda is passage of a statewide transportation revenue package to complete key projects including I-405 (Bellevue to Renton) and the west side of the SR 520 bridge. She noted that the economic vitality of the region depends on transportation mobility. The City is seeking additional funding for the full interchange at SR 520 and 124th Avenue NE. Ms. Nichols said the most recent package presented to the House included \$35 million for that interchange.

The draft 2015 State Legislative Agenda seeks continued support for the tech sector, including the reinstatement of research and development (R&D) tax incentives that expired at the end of 2014. The agenda supports investment in infrastructure and education as well, including STEM programs, K-12, higher education, vocational-technical education, advanced manufacturing, and apprenticeship programs.

Ms. Nichols said the Washington Tech Cities Coalition reports that nearly \$3 billion (sales tax and B&O tax) were generated in 2011 by the tech centers throughout the state. The two incentive programs that recently expired are a credit against the State's share of the B&O tax and a waiver of construction sales tax for buildings that will house R&D activities. The Department of Revenue published the long list of companies that have used these credits which includes Microsoft, Concur, Dashwire, Fused Digital Solutions, Spectrum Controls, Intellectual Ventures, and Light Sciences Oncology. Of the 637 companies on the list, 63 are Bellevue companies.

Ms. Nichols said the State Legislative Agenda supports increased funding for the Housing Trust Fund and financing tools to create more workforce housing. One tool is the Regional Equitable Development Initiative (REDI) revolving loan fund to construct transit-oriented development (TOD).

An additional priority critical for Bellevue is retaining state-shared revenues (e.g., liquor profits and excise taxes, annexation sales tax credit, and municipal criminal justice account). Bellevue and many cities support a consolidation of the medical cannabis and adult recreational marijuana laws.

Ms. Nichols said Sound Transit is seeking authorization to present the Sound Transit 3 package for voter approval as early as 2016. The package contains projects important to Bellevue's mobility including bus rapid transit (BRT) along I-405 between Woodinville and Renton and the extension of light rail to Downtown Redmond. The latter was intended for the ST2 package but was not ultimately funded. Additional potential ST3 projects include high-capacity transit from Kirkland around the north end of Lake Washington to I-5 and express bus service between Bellevue and Woodinville.

Deputy Fire Chief Mike Remington joined Ms. Nichols at the table and distributed handouts regarding a requested change to state law that would modify vehicle size, weight and load limits. He explained that Washington's laws in this area (RCW 46.44.190 and 46.44.091) are some of the most restrictive in the nation. After working with Washington State Department of Transportation (WSDOT) commercial vehicle services engineers and the Fire Department's apparatus manufacturer, the Department has not been able to design an aerial ladder vehicle that will comply with the State's restrictive laws.

Chief Remington said committees in both the House and Senate are co-sponsoring a bill to address this issue, which is supported by the broader fire protection industry and agencies. He said the City of Bellevue was able to negotiate an effective compromise with WSDOT engineers, pending amendment of state law.

Responding to Councilmember Lee, Chief Remington said the City's mechanics support the requested change in state law and contributed to the content of the proposed legislation. They were becoming uncomfortable with requested modifications to equipment designed to comply with current laws.

Moving on, Ms. Nichols said Bellevue has three capital budget requests including the Downtown Park Inspiration Playground. She said Councilmember Robertson has asked the Council to support requesting grant funding from the Department of Commerce for the KidsQuest Museum capital campaign. Mayor Balducci noted a Council consensus in support of Ms. Robertson's request.

Responding to Councilmember Lee, Ms. Nichols said the City has historically not listed specific capital requests in the legislative agenda.

Councilmember Chelminiak suggested looking for possible funding under the Building for the Arts program for Bellevue Youth Theatre and other programs.

Councilmember Robinson wants to ensure that patients will be able to continue to easily access medical marijuana. She said many older adults benefit from medical marijuana, as well as cancer patients and individuals with chronic pain.

Responding to Councilmember Lee, Ms. Nichols said the Governor's Budget is the starting point for legislative discussions. Both the House and Senate prepare their own budgets as the process moves forward. Mr. Lee said it is important to continue to focus on Bellevue's specific priorities, especially in the area of transportation.

Mr. Lee suggested that the City will be most successful by targeting a few high priorities. He is concerned that having too many items will diffuse attention from the top priorities. Ms. Nichols said staff and the lobbyist communicate only the priorities identified by the Council, which are listed on the Legislative Agenda and brought up weekly by the Council as the legislative session progresses.

Councilmember Lee expressed support for the priorities of education and apprenticeship as well as the R&D tax credits and exemptions. He reiterated that the City should focus its efforts and expressed support for bus rapid transit.

Mr. Lee suggested revising the City's legislative agenda/policy statement to formally encourage the state legislature to follow "responsible fiscal policies" and cost-effective policies. Under economic vitality, Mr. Lee suggested including data on the billions of dollars generated by the tech industry, including dollars generated by Bellevue companies. He believes that will provide context to the City's perspective.

Councilmember Lee suggested revising the language that indicates the City supports legislative changes to laws regulating medical and recreational marijuana. He would like to add a statement that the City does not support the use of recreational marijuana.

Mayor Balducci stated that this is the City's legislative agenda to guide support or opposition to specific legislation. However, this is not a document for including general positions, such as whether the Council believes marijuana should be legal, unless specific legislation is anticipated for the upcoming legislative session. Ms. Nichols said the state legislature cannot address the legality of marijuana without a two-thirds vote of both the House and Senate.

Mayor Balducci suggested that staff consider revising the language to reflect the more nuanced position of the Council, which is to support the will of the voters but not to express support for marijuana use. Ms. Nichols said that change will be to the Legislative Statement of Policy, not the shorter agenda.

Responding to Mr. Lee, Ms. Nichols said the City is a member of the Eastside Human Services Forum and typically includes the Forum's legislative platform within the City's agenda.

Councilmember Lee observed that the human services section is more specific than some of the other sections. He suggested that the City should be more specific on the highest priority items.

Councilmember Stokes expressed general support for the legislative agenda and policy statement. He said it is important to encourage the state legislature to fund education, particularly early education. He suggested revising the language on marijuana to clarify that the City supports the consolidation of laws regulating marijuana. That is not a statement of support for the use of marijuana, but support of the laws enacted by the state based on a vote of the people.

Mr. Stokes said he likes the strong emphasis on transportation needs. He said it is critical to complete projects on I-405 and SR 520. He supports greater involvement by Councilmembers in lobbying legislators.

Responding to Councilmember Chelminiak, Ms. Nichols said a new interchange has been proposed on SR 520 at 148th Avenue.

Mr. Chelminiak said he likes the specificity under human services. He noted that was important to the City of Redmond as well. He suggested taking the City's Economic Development Plan to the state legislature because it demonstrates the breadth of priorities that fall under economic development. He suggested this will highlight the legislature's role in making that a reality by funding education, transportation, public safety, and other items.

Ms. Nichols said she is developing a single-page document to tie together the Council's priorities document and the Economic Development Plan. This cover sheet will describe what the City believes to be the legislature's role in achieving those priorities.

Mayor Balducci said she appreciated the details presented regarding the need for a change to state law to enable upgrades to the City's ladder truck equipment.

Mayor Balducci agreed with Mr. Lee that a shorter and more specific list of top priorities will enable the City to make the strongest impression with legislators and achieve results. She said everyone is aware of the need to complete I-405. If nothing else is accomplished, she believes I-405 needs will receive funding. Ms. Balducci noted her interest in the future consideration of bus rapid transit as a potential component of the ST3 package.

Ms. Balducci supports the addition of the REDI Fund. The Puget Sound Regional Council (PSRC) was not willing to use federal pass-through transportation funds for housing projects, and the REDI Fund proposal was developed by counties and cities as an alternative. She said some funding is available, and the hope is that the State can come up with rest. Ms. Balducci said the State Secretary of Transportation supports the proposal.

Deputy Mayor Wallace said he does fully understand, and therefore does not support, the REDI Fund due to concerns about putting public funds into private properties. He would prefer to state: "The City supports the consideration of other State and local tools, such as a revolving loan fund." Mr. Wallace said Fannie Mae will be putting significant funding into affordable housing through loans and other measures. He would rather that the legislative agenda and policy not be supportive of the REDI Fund as written in the drafts.

Mr. Wallace expressed concern about the ST3 package. He observed that the language will be taken as the City's support of raising the property tax, sales tax, and motor vehicle excise tax (MVET) to fund the next expansion of light rail. He does not support future efforts related to light rail, especially with an agency that is imposing a maintenance facility in Bellevue and is not disclosing the mitigation that may or may not be provided. He opined that his support of Sound Transit based on its current discussions with the City is not sound policy at this point.

Deputy Mayor Wallace said there needs to be a better ability to represent the East Subarea in discussions with the Sound Transit Board. He opined that, if the East Subarea concluded that BRT on I-405 was the best transit solution, Sound Transit would likely come back with a decision to extend light rail and to use the East Subarea money to do so. He does not see how that will improve unless the state legislature can find a way to provide leverage for areas outside of Seattle. If the state legislature is going to consider additional authority and revenue to Sound Transit, the legislature should be able to: 1) understand whether Sound Transit actually needs the money, 2) ensure accountability, and 3) articulate the specific plans.

With regard to ST3, Mr. Wallace is opposed to proposals that would impose a \$400 tax on a \$50,000 car, increase the sales tax to 10 percent, and take 25 percent of the property tax collected in Bellevue. Washington State already has the highest sales tax in the country. He said all of this is taking away the ability to generate new revenue for education. He is opposed to supporting ST3, especially when there is not full information regarding Sound Transit's plans.

Deputy Mayor Wallace prefers statements in support of multi-modal transportation systems, but he believes support of ST3 goes too far.

Mr. Wallace said education funding will be a top priority for this legislative session. He expressed concern about the possibility of a property tax, which could create problems for the City's future revenues and impact Bellevue's schools. He suggested learning more about the implications of education legislation.

Ms. Nichols said there will be a number of proposals regarding education funding. Staff will bring these to the Council for discussion.

Mayor Balducci noted the need to move forward with the meeting agenda. She suggested that staff provide more information to the Council on the REDI Fund and the ST3 package to enable the Council to take a vote on whether to include the items in the legislative agenda and policy statement.

Councilmember Lee said it is important to talk to non-Bellevue legislators to communicate the City's priorities as well.

(b) Multifamily Tax Exemption (MFTE)

City Manager Miyake said this is the third discussion regarding the multifamily tax exemption (MFTE), which generated a number of questions from the Council during the most recent session. He noted that responses to those questions are provided in the meeting packet.

Dan Stroh, Planning Director, recalled study session discussions last year in June and October. Those meetings addressed state law regarding the MFTE, experience in other cities, and draft principles for use of the program in Bellevue. Staff has explored the ways in which the MFTE leverages opportunities for affordable housing and how it can fit into broader housing objectives.

At the conclusion of the October study session, Council asked staff to come back with draft Code provisions. If Council is ready to move forward after tonight's discussion, the next step is a public hearing on the proposed Residential Target Areas (RTAs) and Code provisions.

Arthur Sullivan, Program Manager for A Regional Coalition for Housing (ARCH), highlighted the meeting materials/attachments providing the proposed MFTE Code, key questions, and information on the four proposed RTAs: Bel-Red, Downtown, Eastgate, and Newport Hills. He said the Code's administrative items match the provisions for the cities of Kirkland and Seattle.

Mr. Sullivan recalled that state law [RCW 84.14] allows flexibility for cities with regard to the length of the tax exemption (8 or 12 years). If 12 years, the public benefit must include 20 percent affordable housing. However, there is flexibility in choosing the appropriate level of affordability. The exemption is only on the improvement value of the multifamily units; taxes are still paid on the land and non-residential uses. The MFTE is available only in designated RTAs. State law provides flexibility for cities with regard to the affordability level, percent of affordable units, location of RTAs, ability to layer the MFTE with other incentives, potential variation in requirements for different RTAs, phased affordability level for initial projects, and setting a cap for the program (i.e., duration of program or number of units).

Mr. Sullivan referred the Council to Attachment B listing the questions previously posed by the Council.

Mayor Balducci noted interest from the public in this topic. She said it is important to note for the public that this is early in the process and these are proposals.

Councilmember Lee said there should be broad, inclusive community input on housing. He supports looking at potential tools, but suggested this is putting the carriage before the horse. He said the MFTE is not yet supported by a specific policy.

Councilmember Stokes observed that the materials and attachments presented tonight for the Council are not the same as what is available on the City's web site. He suggested coordinating the materials better. Mr. Stroh thanked him for the feedback and said staff will work on ensuring there is a transparent record of the discussions to date.

Continuing with the presentation, Mr. Sullivan said the four residential target areas (RTAs) identified by staff based on previous Council discussions are Downtown, Bel-Red, Eastgate, and Newport Hills. He said there is flexibility to designate other areas as well, and he invited Council input on staff's suggestions.

Councilmember Robinson questioned whether it is possible to specify the population that is targeted for specific areas. For example, could the City target senior housing for Newport Hills? Mr. Sullivan said that might be possible. However, there are other tools that would likely be better for that type of approach.

Councilmember Robinson said she would like to add 116th Avenue in the Downtown/Wilburton and the Top Foods site at Crossroads as RTAs.

Responding to Mayor Balducci, Mr. Stroh said the identified areas are zoned for housing and mixed use except for Newport Hills. The latter would require land use work to become eligible for the MFTE. Mr. Stroh confirmed that the City would need to process a Comprehensive Plan amendment to implement the MFTE at Newport Hills. Mayor Balducci noted that process involves a number of steps including public outreach and involvement.

Councilmember Lee said he does not believe the issue in Newport Hills is a need for affordable housing. Mr. Sullivan said the purpose of the MFTE is to stimulate mixed use development that would include some percentage of affordable housing. He said the law provides flexibility, and cities can designate RTAs and remove them later and/or add other RTAs. The City of Seattle has modified its program multiple times.

Councilmember Lee reiterated that the City needs to evaluate if and where housing is needed before considering incentives.

Councilmember Chelminiak said the Council has received emails from Newport Hills residents expressing concern that this is a proposal for low-income housing. He said the MFTE would provide housing priced at 80 percent of median income, which would qualify the developer to offer 20 percent of the units at that affordability level.

Responding to Mr. Chelminiak, Mr. Sullivan said 80 percent of median income is above \$60,000 for a family of four. Mr. Sullivan said rental rates based on 80 percent of median would likely be higher than existing older properties in the community. Mr. Chelminiak noted this is not low-income housing. He observed that the MFTE provides an incentive to develop property earlier than might otherwise occur.

Deputy Mayor Wallace said this incentive has proven to work in Seattle, and the majority of units are market rate. The MFTE provides a tax incentive/exemption for developers, and the purpose is to provide primarily workforce housing in higher density areas. In the case of Newport Hills and the lack of other incentives to stimulate redevelopment, this is considered one tool that might appeal to developers to revitalize the area.

Mr. Wallace said he supports giving the MFTE a try and seeing how it goes. He supports the four RTAs suggested by staff as a good starting point. He suggested looking at any areas zoned R-30 (30 units per acre) and above as potential RTAs.

Mr. Wallace said the approval criteria in the Code must be specific, objective, and handled through administrative review and approval. He said there should be administrative fees similar to Seattle's. Regarding affordable rents, he believes more consideration should be given to the affordability levels for two-bedroom units. He suggested encouraging two-bedroom units and conducting additional analysis to test that concept.

Deputy Mayor Wallace observed that the idea of creating a 12-year tax incentive in exchange for holding the rents at that level for 50 years is not a fair bargain. He said it will cause financing problems for developers. In Seattle, the 12-year incentive requires holding rents at the specified levels for 12 years, and developers can withdraw later if desired.

Councilmember Lee reiterated his question about the need for an incentive or subsidy. He believes this is the wrong way to address affordable housing. He said Seattle needs to provide affordable and lower income housing. However, he questioned whether anyone is leaving Bellevue because the rents are too high. Mr. Lee said it is not the Council's decision to determine who is going to live where. He believes that lies more appropriately with the marketplace.

Mayor Balducci referred to the Human Services Needs Update, which highlights the critical need for affordable housing. She sees Bellevue as a community that should be affordable for all types of people, including those who work in Bellevue in all types of jobs. She said it is important to be a welcoming community for individuals from different walks of life, and that is the fundamental philosophical reason that she supports efforts like the MFTE. The details of the program are important to work through but she strongly supports the concept.

Councilmember Robinson concurred. She believes it is important to provide options for individuals who work in Bellevue including teachers, firefighters, police officers, and minimum wage workers. Last year there were two Bellevue firefighters who lived in Bellevue. When her children were at Woodridge Elementary School, there was one teacher who lived in the area and everyone else commuted. She observed that everyone would benefit if people can live closer to work and do not need to make long commutes.

Ms. Robinson said she appreciates how staff's proposal creatively addresses different populations (e.g., entry level workforce, minimum wage workers, families, and older adults). She supports Mr. Wallace's comment that the 50-year provision for maintaining affordable units is not likely to be an effective incentive. Ms. Robinson said she believes it is possible to layer incentives. She questioned whether staff could identify other incentives that could be combined with such a requirement to make it more appealing.

Mr. Sullivan said the analysis looked at the discounted value for cash over a long period of time. One key question previously raised by the Council was: Should we use the MFTE or should we implement affordable housing programs through the Housing Trust Fund? Mr. Sullivan said all past projects supported by the City through the Housing Trust Fund or other land use incentives have had a 50-year affordability requirement.

Ms. Robinson said she likes the longer affordability period. She has talked to a number of housing professionals and believes there are ways to layer incentives.

Councilmember Stokes concurred with Deputy Mayor Wallace's comments from a developer's perspective and with Mayor Balducci's and Councilmember Robinson's comments about the importance of diversity in housing options. He is ready to move forward with the MFTE and supports staff's proposal, recognizing that appropriate nuances can be addressed.

Councilmember Chelminiak expressed general support for Mr. Wallace's comments. Mr. Chelminiak said he is not sure whether the 12 year exemption/12 year affordability requirement is the right mix. While 50 years might be unrealistic, he would like an analysis of requirements longer than 12 years.

Mr. Chelminiak supports Ms. Robinson's suggestion to add 116th Avenue and the Crossroads Top Foods site as RTAs. He suggested excluding the "Angelo's triangle" portion of the Bel-Red corridor from the RTA due to its geographic separation from the rest of the Bel-Red Subarea.

Mr. Chelminiak said he sees this as the end of the first step, which is to produce a draft Code for public consideration and comment.

Councilmember Lee said he does not want people thinking that he is against diversity. He said that is the problem with this type of discussion. He believes Bellevue has done extremely well in its collaboration with ARCH and he would prefer to continue to address housing in that way. He agreed with the Mayor about diversity and said he believes that people are motivated and want to be successful here.

Mayor Balducci said she supports moving to the next step. She is generally agreeable to the RTAs proposed by staff and Councilmembers. She observed that this is one of those issues which highlights that all of us working together are smarter than one of us. She appreciates the Deputy Mayor's expertise and input. Ms. Balducci likes targeting areas that have previously been identified as needing to be redeveloped.

Councilmember Robinson reiterated her suggestion to include 116th Avenue and the Crossroads Top Foods site. Responding to Ms. Robinson, Mr. Sullivan confirmed that the draft Code needs to be specific with regard to RTAs for the public hearing.

Mayor Balducci said this discussion will continue during the Regular Session under Unfinished Business.

(d) Parks Property Acquisitions Long-Range Planning Update

[Item deferred to Regular Session.]

At 8:02 p.m., Mayor Balducci declared recess to Regular Session.

Myrna L. Basich, MMC
City Clerk

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